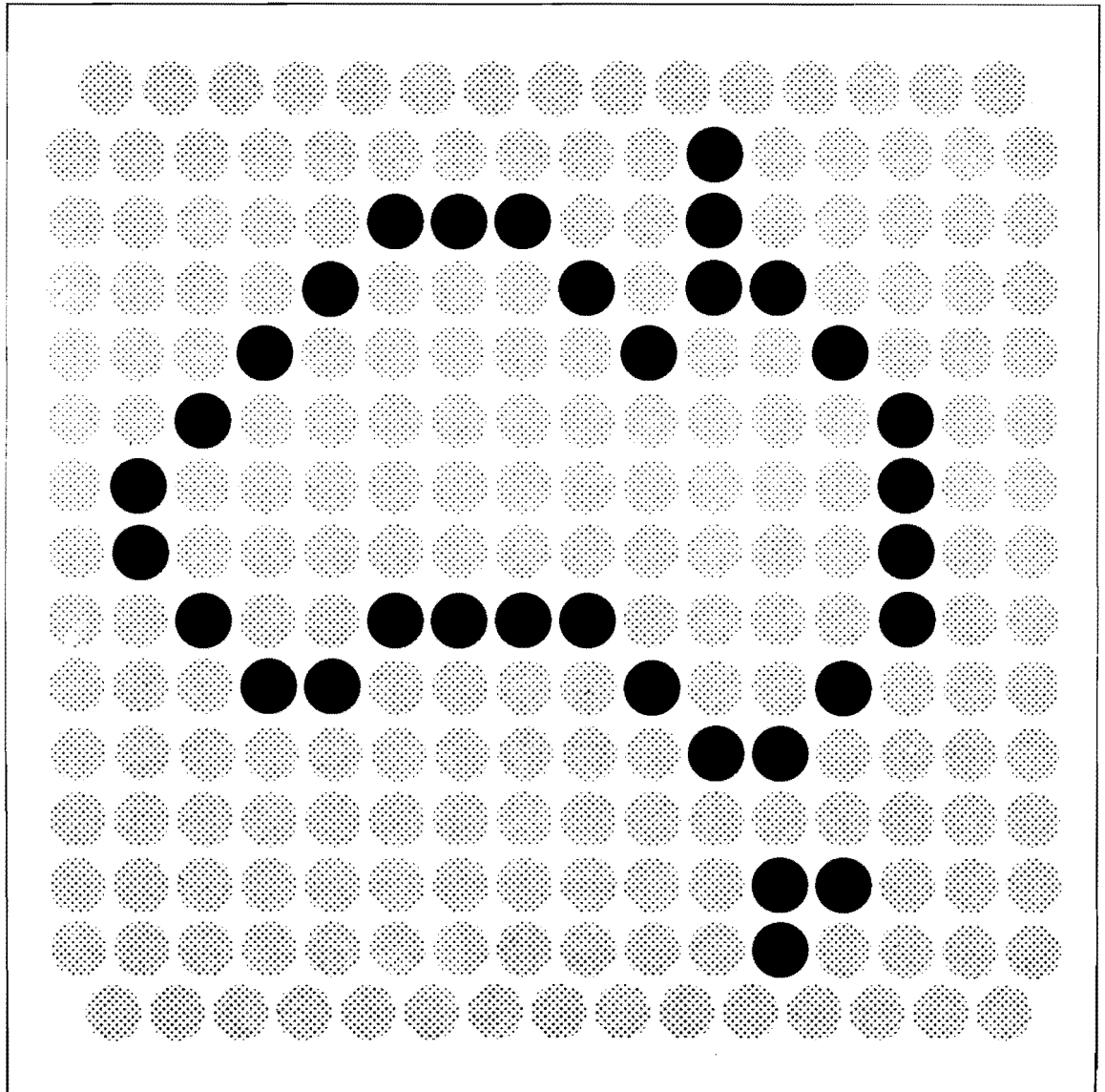


REFERENCE PAPER

# CO-OPERATIVES IN AUSTRALIA

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CO-OPERATIVES IN AUSTRALIA

People have always practised co-operation - in families, in communities, in ethnic groups. The oldest settlers of Australia, the Aborigines, have always followed the basic philosophies of co-operation as an essential part of their natural way of life.

Co-operation as a social and economic activity began to be formalised and to follow a recognised code of operations in Europe. After various experiments by groups, often characterised by emotion and a desire for improvement more than by sound business principles, the first formal code of co-operative rules was prepared in 1844 as a result of the effects of the industrial revolution on the workforce of Britain. About the same time a similar situation was developing in Germany where the rural population was experiencing what was considered to be exploitation from the land owners. Group activity to help underprivileged tenant farmers help themselves was fostered by Raiffeisen.

The rules drawn up by the industrial workers of England have been accepted internationally as the basis of co-operative activity and are known as "The Rochdale Principles" after the town in which the first industrial equitable society was established. The first co-operative legislation was introduced in Britain in 1852.

Australia was quick to see the benefits of this type of self-help and records show that co-operatives were established in Brisbane, Queensland, in 1859 before Queensland became a new State separate from New South Wales. Co-operatives were also in existence in rural areas of Western Australia in 1860.

It is estimated that at 30 June 1973 co-operatives in Australia had a membership of 3.4 million, or 26 per cent of the Australian population.

The Australian co-operative movement subscribes to the basic principles of co-operation which have been reviewed from time to time by the world organisation of the co-operative movement - the International Co-operative Alliance (I.C.A.).

These internationally recognised principles were last revised in the mid-1960s when a committee appointed by the International Co-operative Alliance conducted a world survey of co-operative organisations and submitted their recommendations for acceptance by the world congress of national co-operatives in 1966.

The principles are basically in line with those originally laid down by the pioneers of 1844. These are:

1. Membership of a co-operative should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all people who can make use of its services and are willing to accept the responsibility of membership.

2. Co-operatives are democratic organisations. Their affairs should be administered by people elected or appointed in a manner agreed by the members and be accountable to them. Members of primary co-operatives should enjoy equal rights of voting - i.e. one member - one vote and participation in decisions affecting their co-operatives. In other than primary co-operatives the administration should be conducted on a democratic basis in a suitable form.
3. Share capital should receive only a strictly limited rate of interest, if any.
4. Surplus or savings, if any, arising from the operations of the co-operative belong to the members of that co-operative and should be distributed in such a way that no member gains at the expense of others. This may be done by decision of members as follows:
  - a. by provision for development of the business of the co-operative
  - b. by provision of common services
  - c. by distribution among the members in proportion to their transactions with the co-operative
5. All co-operatives should make provision for the education of their members, officers and employees and of the general public in the principles and techniques of co-operation, both economic and democratic.
6. All co-operative organisations, in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international level.

#### CO-OPERATIVE LEGISLATION IN AUSTRALIA

Co-operative legislation in Australia, as other corporate legislation in Australia, is a State responsibility. However, while the legislation varies from State to State, the basic principles of co-operation are incorporated into all relevant State co-operative law.

New South Wales has a State Government Department of Co-operative Societies and Consumer Affairs, headed by a Minister

Queensland, New South Wales and Victoria each has a Registry of Co-operatives aided by a Co-operative Advisory Council, with responsibility for administering co-operative societies.

Tasmania, South Australia and Western Australia have legislation for co-operative societies operating under various forms of administration, while co-operative companies are registered under co-operative and/or company legislation administered by the respective State Commissioner for Corporate Affairs.

Building societies have separate legislation in these three States while credit unions are currently administered under co-operative society legislation.

Co-operative Acts administered by Registrars apply to the Northern Territory and the Australian Capital Territory, which are administered by the Australian Government.

Legislation applicable to co-operatives in Australia includes:

New South Wales

Co-operation Act 1923 - 1972  
Credit Union Act 1969 - 1971  
Permanent Building Societies Act 1967 - 1972

Victoria

Co-operation Act 1958 - 1971  
Building Societies Act 1958 - 1971  
Co-operative Housing Societies Act 1958 - 1972  
Industrial and Provident Societies Act 1958

Queensland

Co-operatives and other Societies Act 1967  
Primary Producers Co-operative Associations Act 1923 - 1957  
Co-operative Housing Societies Act 1958  
Building Societies Act

Western Australia

Companies (Co-operative) Act 1943 - 1959  
Co-operative and Provident Societies Act 1903 - 1973  
Building Societies Act 1920 - 1970

Tasmania

Co-operative Industrial Societies Act 1928  
Building Societies Act 1876  
Co-operative Housing Societies Act 1963

South Australia

Industrial and Provident Societies Act 1923 - 1974  
Building Societies Act 1881 - 1968

A.C.T.

Co-operative Trading Societies Ordinance 1939 - 1963

Northern Territory

Co-operative Trading Societies Ordinance 1945 - 1963

TAXATION OF CO-OPERATIVES IN AUSTRALIA

Co-operative companies, like other corporate entities in Australia, are assessed for their taxation liabilities on a federal basis. Division nine of the Australian Income Tax Assessment Act relates specifically to co-operatives. As with corporate legislation, taxation legislation also provides for conformity to basic co-operative principles.

To qualify as a co-operative for taxation purposes under Australian taxation law the company must limit the number of shares which may be held by or on behalf of any one shareholder and the rules of the co-operative must prohibit the quotation of its shares on any stock exchange or in any public manner.

Further, the co-operative should be established for the purpose of carrying on any business having as its primary object or objects one or more of the following:

- (a) The acquisition of commodities or animals for disposal or distribution among its shareholders
- (b) The acquisition of commodities or animals from its shareholders for disposal or distribution
- (c) The storage, marketing, packing or processing of commodities belonging to its shareholders
- (d) The rendering of services to its shareholders
- (e) The obtaining of funds from its shareholders for lending to its shareholders to enable them to acquire land or buildings to be used for the purpose of residence or of residence and business.

In addition, a company may not be treated as a co-operative company in any year in which the value of business done with its members under one or more of the objects listed above is less than 90 per cent of its total business under that head of business.

A co-operative qualifying as such under the Income Tax Assessment Act is authorised to deduct from its assessable income the amount of surplus distributed by way of dividend on share capital. A dividend is, however, taxable in the hands of the member recipient.

Distribution of surplus by way of rebate or bonuses based on the business done by a member with his co-operative is also deductible from the assessable income of a co-operative.

A third deduction to which a co-operative may be entitled relates to the repayment to a Government (and this means specifically the Australian Federal Government or a State Government and not a Government authority) of money borrowed to acquire assets for the purpose of conducting a business related to the acquisition of commodities or animals from the co-operative's members. This particular provision has the added proviso that the shares in the co-operative must be held as to 90 per cent of the paid up capital of the co-operative by persons supplying the co-operative with the commodities or animals in which it deals.

#### ORGANISATION OF THE AUSTRALIAN CO-OPERATIVE MOVEMENT

The first Australian national conference of co-operatives was held in Melbourne in 1918. This was essentially a conference of producer co-operatives when the leading Australian farm producer co-operatives came together to consider ways of improving the marketing of their produce. From this conference was formed the Australian Producers Wholesale Co-operative Federation with

headquarters in Victoria. Subsequently this organisation opened offices in London to cater for marketing of Australian produce in Europe. The organisation became closely associated with rural producer and marketing co-operatives of New Zealand, South Africa and Rhodesia and a joint selling organisation known as Overseas Farmers was established in London. This example of practical co-operation and rationalisation of marketing effort was of great benefit to Australian producers.

Subsequently a national congress of consumer co-operatives was held in Sydney in 1920.

In 1944 co-operatives came together again in Canberra to consider post-war economic reconstruction and the role of co-operatives in Australia. At this conference the Co-operative Federation of Australia was formed.

In 1919 a State Federation of Co-operatives was formed in Western Australia to serve co-operatives in an advisory, co-ordinating, educational role and has continued in this function since that date.

A short lived Co-operative Union was formed in New South Wales in 1918 but ceased operating in 1921. Subsequently an Institute of Co-operatives was formed in New South Wales but this also went out of existence. In 1964 a State Federation of Co-operatives was formed in New South Wales which still continues.

In 1945 arising from the Canberra conference, Queensland delegates formed a State Co-operative Federation and also the Co-operative Wholesale Society of Queensland.

In 1970 Victoria established its own State Federation of Co-operatives and in 1974 a Co-operative Federation of South Australia was incorporated in that State.

The Co-operative Federation of Australia has in membership five State Federations of Co-operatives, two national organisations of Co-operatives - the Australian Federation of Credit Union Leagues and the Co-operative Insurance Company of Australia.

The Co-operative Federation of Australia is the Australian affiliate of the International Co-operative Alliance and also of the International Raiffeisen Union.

#### THE INTERNATIONAL CO-OPERATIVE ALLIANCE

The International Co-operative Alliance is one of the oldest non-government world bodies in existence today. Formed in 1895 it has headquarters in London and comprises membership of 66 countries from all parts of the world. In 1976 the President of the International Co-operative Alliance was M. R. Kerinec of France. The two vice-presidents were from the U.S.S.R. and Norway.

The International Co-operative Alliance operates with three regional centres, one of them in New Delhi, covering the South-East Asia region which extends from Iran in the west to Japan in the east.

The second regional centre is established in East Africa to cover co-operative development in Africa, and the third centre is established in Puerto Rico in the Caribbean to assist co-operative co-ordination in the North and South American region.

The International Co-operative Alliance enjoys consultative category "A" status with the United Nations Organisation and works very closely with it, serving on many U.N. councils and committees.

#### CO-OPERATION IN AUSTRALIA

In keeping with a country whose rural exports account for about 56 per cent of the total export earnings, co-operation in Australia is strong in the agricultural sector. Of the business done by co-operatives, excluding credit unions and building societies, in the financial year ending June 1973, 80 per cent was done by agricultural co-operatives.

Consumer co-operatives are strong in areas of concentrated industrial activity including the mining centres of New South Wales, Victoria and Western Australia. Farm supply and consumer co-operatives in rural areas controlled by the farming community are prevalent throughout Australia.

In urban centres the consumer credit sector of co-operative activity is asserting itself and becoming an increasingly important aspect of consumer service.

In the area of housing, building societies, both terminating and permanent, continue to develop to enable people to acquire their own homes.

Many community services are also organised into co-operatives.

#### RURAL CO-OPERATIVES

In 1973 it was estimated that 392,000 producer members of agricultural and fisheries co-operatives had a combined turnover exceeding \$A1,000,000,000.

The biggest co-operative in Australia - in terms of overall turnover - is the Westralian Farmers Co-operative Company which has its headquarters in Perth, Western Australia. This co-operative, established as a small rural enterprise in 1914, today has a membership which includes 16,400 farmers. Its members' funds exceed \$A22,000,000 and its annual turnover exceeds \$A220,000,000.

The scope of Westralian Farmers' activities has been steadily extended over the years. It now markets 30 per cent of all wool sold by auction in Western Australia. It is a major marketer of livestock, hides and skins. It operates a real estate department for the sale of farms and other rural properties. It processes and distributes milk and milk products. It purchases, processes and markets both locally and for export, meat produced by its members. It also processes and markets dairy produce, apples and pears as well as cleaning and exporting a wide range of farm seeds and grain. It is a major supplier of farm machinery equipment, tractors, fertilisers and chemicals. It manufactures and



distributes industrial gases and liquefied petroleum gases. In partnership with a non-co-operative company it operates a large provender mill for the manufacture of a wide range of poultry and other livestock foods.

Westralian Farmers also underwrites insurance and provides a rural banking service for its members. It charters ships for its international export trade and operates road transport services to the far-flung developing areas of Western Australia. Through its retail storekeeping division it also provides centralised management and accounting services by agreement with other co-operatives which are members of the Co-operative Federation of Western Australia. For many years it has also operated a full scale travel agency service for its members.

#### Grain

The sole marketing authority of wheat in Australia is the Australian Wheat Board.

Coarse grains, however, are marketed by various authorities including some State marketing boards, but in Western Australia the Grain Pool, a co-operative organisation, markets coarse grains on behalf of growers.

Grain is handled throughout Australia in bulk on behalf of the various commodity marketing authorities. In Western Australia and South Australia this bulk handling service comprises grower owned and controlled co-operative organisations.

#### Rice

Rice production, processing and marketing in Australia is entirely co-operatively controlled and organised.

#### Sugar

Fifty per cent of the sugar mills engaged in extracting sugar in its raw state are grower-owned and operate as full co-operatives. Shareholding is maintained among active growers by tying the membership shares to the farm. When a cane grower sells his farm, his shares in the co-operative are automatically transferred to the new owner.

#### Tobacco

At least 85 per cent of tobacco production is controlled co-operatively. This industry is a fine example of close integration of interests between industry co-operatives and a producer controlled marketing board.

#### Cotton

Seventy per cent of Australian cotton is produced and processed up to the milling stage by co-operative organisations.

### Vegetables

The bulk of vegetable trading takes place at the metropolitan markets of the cities concerned. While accurate figures are not available it is estimated by the Co-operative Federation of Australia that about 40 per cent of the country's vegetable production and marketing operations are controlled co-operatively.

### Fruit, Vines and Wine Industry

Australia is able to produce all its requirements of fresh fruit. The majority of the fruit canning industry is organised by producers in co-operative companies.

Nearly all the Australian dried fruits are produced along the Murray River in Victoria and South Australia. In the main this is controlled co-operatively from production through to marketing.

Twenty-five per cent of Australian wine producing operations are in the hands of co-operative associations.

### Wool

One-sixth of the world's population of woolled sheep are bred in Australia and these are estimated to produce about one-third of the world's wool. Of this, 20 per cent is marketed co-operatively in Australia.

### Dairying

Co-operatives account for the major part of the Australian production of butter. About half of the liquid milk trade in Australia is handled co-operatively.

### Honey

It is estimated about 25 per cent of the bulk honey and 40 per cent of the jar pre-packed honey market in Australia is handled co-operatively.

### Fisheries

Of the total fisheries operations within Australia and around its coasts it is estimated that 55 per cent are controlled by fishermen operating through co-operative organisations.

### CONSUMER TRADING CO-OPERATIVES

The basic objective of consumer co-operatives is to enable the consumer to obtain his consumer needs of accepted quality at reasonable prices and generally for his business to conform to the principles of co-operation.

Competition in the retailing industry in Australia is providing consumers with goods at reasonably competitive prices. However, the consumer section of the Australian co-operative movement still continues to have an important role to play. The trend is for rationalisation of effort, for a reduction in the number of small

uneconomic units, and development of stronger co-operative consumer retail units.

It is estimated that in 1973 more than 580,000 members of consumer trading co-operatives did business in excess of \$A200,000,000 with their co-operatives.

The biggest co-operative department store in Australia is located in Newcastle, a provincial city with a population of about 250,000 in New South Wales. Founded in 1898 it is owned now by almost 90,000 shareholders and has an annual turnover of about \$A27,000,000. It serves its members through 16 branches and operates a bakery, petrol stations, and other services.

#### CONSUMER CREDIT

The consumer credit movement in Australia operating through credit unions is based largely on the North American pattern. Credit unions were first introduced into Australia in 1946 in Sydney and Brisbane; in Victoria they commenced in 1954 and in Western Australia and other States in the 1960s.

Credit unions are defined as groups of people with a common interest, who join together with the object of saving, lending their savings to one another at the lowest possible rates of interest and solving their economic problems through mutual co-operation.

In each State a large proportion of the credit unions is associated with a State League of Credit Unions which in turn is affiliated with a national body, the Australian Federation of Credit Union Leagues. These leagues provide educational and promotional services as well as providing loan and savings clearance through central financing schemes.

Credit unions in Australia, in addition to providing a place for savings, provide for budget accounts through which members save and arrange payment for known regular commitments. Fixed deposit facilities are also provided.

In almost all credit unions in Australia, savings are safeguarded by insurance against defalcation and fraud and a stabilisation fund exists in most States to assist member credit unions in difficulties.

Loans advanced to members of credit unions are also covered by insurance and in the event of death of a member of such a credit union the loan dies with the member and his estate is not burdened with this additional charge.

Credit unions advance money for such purposes as budgeting account services, purchase and repair of motor cars, home improvements, debt consolidation, housing and land and domestic appliances.

Credit unions in all States except New South Wales are registered under general co-operative legislation. In New South Wales a separate and comprehensive Credit Union Act was passed in 1969. Other States are working on revision of credit union legislation.

In June 1973 there were 812 registered credit unions in Australia with a membership of about 673,000. Loans advanced during the year exceeded \$A307,000,000.

#### HOUSING AND BUILDING SOCIETIES

The high incidence of home ownership among the Australian population is due partly to the development of societies following the basic principles of mutuality and co-operation and known as building societies. These may be either terminating or permanent.

The terminating type of building society was introduced in New South Wales in 1937 and has as its main purpose the negotiation on behalf of members for finance in bulk at more advantageous terms and conditions of repayment than would otherwise be individually available. Building supervisory services tailored to the needs of members are also organised.

The prospective home-owner/shareholder may choose any home design suited to his financial circumstances and tastes. He applies for share capital in the terminating building society equal to the amount borrowed to build his home. The subscription on these shares plus the interest on the loan is set as fixed monthly repayments based on the assumption that all repayments by members of the terminating society will terminate on one particular predetermined date. On that date the co-operative will exchange the members' fully paid shares for the mortgage deeds of their homes. The terminating society having therefore served its purpose is formally terminated.

Permanent building societies raise funds from their members and the public to advance to member home buyers. Members may obtain loans against the mortgage of their home on certain conditions repayable over an agreed period. When the total amount has been paid the mortgage deeds are handed over to the member and the society continues in a permanent manner.

The Australian Government and State governments have accepted as recognised policy the support of this type of co-operative institution in the interests of the home buying and owning Australian population. Government support has been given by way of grant assistance for home buying and guarantees against borrowings of building societies.

In some parts of the country co-operatives have tackled the enormous problem of rising costs in relation to suburban land by subdividing on a no-profit basis and the Co-operative Federation of Australia states that they have been able to reduce the cost of home blocks of land by up to \$A1500 per block.

During 1973 there were 5699 registered terminating building societies who advanced money on mortgage amounting to \$A887,000,000.

In the same period there were 187 permanent building societies who advanced money on mortgage amounting to \$A2,325,000,000.

Total membership of both permanent and terminating building societies in 1973 was 1,544,000.

#### OTHER TYPES OF CO-OPERATIVES

Apart from the main groupings of co-operatives given above, co-operative activity covers a wide diversity of application throughout Australia. Co-operatives have been formed to:

Provide sheltered workshops for aged and invalid pensioners to give them a feeling of dignity and independence while receiving financial return for services to the community

Provide for barrister members satisfactory professional chambers, staff and library facilities at moderate cost

Sell orchids abroad on behalf of orchid growers and to trade in all orchid requirements

Carry on the business of retail booksellers of educational and technical books and engage in other activities to promote the economic and social benefits of members who include students and graduates

Provide self-contained seaside holiday accommodation at reasonable rates for soldiers and families on their annual recreation leave

Provide a service for bookmakers by giving guarantees, fidelity bonds and/or undertakings to racing, trotting or greyhound racing clubs or other controlling authorities

Establish hostels and training colleges for Aborigines to develop co-operative education of Aborigines and missionary personnel; and to improve the general health, education and the economic and social life of Aborigines

Provide and operate a driver tuition academy, to establish standards for improved methods of driver tuition, and to purchase items normally required by motor schools

Mutually assist members in the business of taxi cab owning and operating, particularly by procuring a radio base station and aerial and numerous telephone services; by maintaining suitable dress, working hours and conditions, and cleanliness of cabs; and, to purchase in bulk, petrol, oil, tyres and accessories for use by members and to repair, maintain and service their cabs

Conduct an ice rink

Restore and maintain a group of historic buildings

Distribute films made by members

Erect, furnish and maintain ski lodges and buildings and provide ski equipment; sell, lease, let or hire these to all members; and to foster snow sports and other athletic sports

Promote and publicise a geographical area and encourage tourism

Trade as producers of and dealers in wine, spirits and other beverages and tobacco for supply to members; and provide club amenities at the lowest possible prices

Provide medical services to members or other persons. (The society retains the services of a medical practitioner by way of an annual salary. This has been done to overcome a local shortage of doctors and the difficulty of obtaining medical treatment at night)

Assist young people in such activities as coffee houses

Promote the development of cultural activities

Operate health and hospital facilities

Operate community hotels; these are found mainly in South Australia, although they do exist in some other States

#### ASSISTANCE TO OVERSEAS CO-OPERATIVES

The Co-operative Federation of Australia through membership of committees of the International Co-operative Alliance is concerned with development of co-operative activities.

In addition some co-operatives have provided funds to cover on-the-job training of co-operators from overseas within Australia.

Specialists have been made available for United Nations agency activities from within the Australian co-operative movement.

In addition, in conjunction with the Australian Government through its various aid programs, including the Special Commonwealth African Assistance Plan, the Asian and Pacific Council and the Colombo Plan, international training courses have been held for groups of senior co-operative officials from African, Asian and the Pacific region countries.

A senior member of the Council of the Co-operative Federation of Australia, with financial assistance from the Australian Government and the International Co-operative Alliance, has undertaken studies and provided advice to co-operative movements in Pacific island countries.

A close association has been maintained between the Co-operative Federation of Queensland and the co-operative movement in Papua New Guinea.

#### FUTURE TRENDS

As will be apparent from the section relating to organisation of the co-operative movement in Australia, the policy of the Co-operative Federation of Australia has been towards co-ordination and rationalisation of co-operative effort throughout the country by the progressive development of co-operative federations in each mainland State. Since January 1975 the National Secretariat has been established in Canberra - the national capital.

Five specialist co-operative committees have been established to provide advisory services to the Co-operative Federation of Australia. These are concerned with co-operative agriculture, finance, consumers, legislation, and education.

In addition, the Credit Union Movement of Australia has its own nationally organised headquarters - The Australian Federation of Credit Union Leagues - established at present in Sydney, N.S.W.

The Australian Association of Permanent Building Societies has its national organisation established in Canberra. The Terminating Building Societies also have their own national association.

#### PRIMARY PRODUCTION

Progress is advanced towards the establishment within the Department of Primary Industry of a Farmer Co-operative Service set up to provide advisory, research and development services for co-operatives and potential co-operatives associated with production, processing and marketing in all areas of primary industry.

To meet the increasing costs of capital investment and to provide a more efficient use of plant and machinery as well as land, encouragement is being given to the development of production co-operatives. Through these types of co-operatives, labour and management tend to be used more efficiently through greater specialisation and division according to individual skills.

To encourage increased producer control of his product through the chain of processing and distribution, increasing awareness of the value of vertical integration of farmer co-operatives and closer co-ordination between producer and consumer is developing.

#### CO-OPERATIVE FINANCING

In line with policies relating to better use of resources within the co-operative movement, studies are currently being conducted relating to systems of inter-lending between co-operative organisations and extension of present practices within the credit union movement of the operations of centralised banking schemes for co-operatives.

#### LEGISLATION

As stated earlier, co-operative corporate legislation is a State responsibility, but indications are for moves towards greater uniformity among States in relation to credit union and building society legislation throughout Australia

#### CO-OPERATIVE EDUCATION

While there is no permanent establishment solely for the training and education of co-operative directors, staff and members in Australia, and while individual States operate programs at varying levels of sophistication in this area, moves have been commenced for improved co-ordination of assessment of needs and

preparation of practical programs to meet the training and education needs of all associated with co-operative activity in Australia.

AUSTRALIAN STATISTICS  
30 June 1973

	NUMBER OF CO-OPERATIVES	NUMBER OF MEMBERS	TURNOVER (\$A'000)	ADVANCES (\$A'000)
Consumer Trading	349	581,229	200,472	
Agricultural	440	388,369	971,974	
Fisheries	35	3,971	42,595	
Miscellaneous (Community etc)	1,199	219,621	61,999	
Consumer Credit	812	673,313		307,035
Building Societies	5,886	1,543,975		3,212,990
TOTAL	8,721	3,410,478	1,277,040	3,520,025